

Arizona's Tourism Future: Effects of Population & Demographic Change



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"Demography is Destiny . . ."

-Auguste Comte, French Philosopher

Contents

- Population & Market Issues
- Demographic Trends
 - Age, Race, Education, Gender, Household Composition
- Income & Consumer Spending
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World Population: International Tourism Markets

In the future, 97% of world population growth will occur in the **developing world.**

- The population of the *developed* world will grow by **4%** from 2005-2050
- The population of the *developing* world will grow by **55%** from 2005-2050

Source: US Census Bureau; *Time*, "America at 300 Million," Oct 30, 2006

Many traditional markets lose population, 2000-2050

■ France	60m to 55m (-8%)
■ United Kingdom	60m to 53m (-12%)
■ Germany	82m to 61m (-26%)
■ Spain	39m to 28m (-28%)
■ Italy	57m to 37m (-35%)
■ Russia	145m to 100m (-31%)
■ Japan	130m to 100m (-23%)

Exception: US 300m to 420m (+43%)

Source: United Nations Population Division, World Population Prospects, 2001 revisions; European Union, Eurostat.

Developing Countries: Rapid Growth, 2000-2050

Populations of least developed countries increase dramatically:

• Yemen	+255%
• Afghanistan	+187%
• Nigeria	+131%
• Bhutan	+113%
• Nepal	+105%

Source: United Nations Press Release, Feb. 24, 2005.

Foreign Visitors to US

- US *already* experienced a 20% drop in share of the overseas travel market from 2000-2006
- US dropped to 3rd place as most popular international destination – behind France & Spain

Source: Travel Industry Association, Discover America Partnership.

Overseas Visitors to Arizona

Year	Overseas Visitors	GCNP Visitors
1996	1,043,000	4,730,680
1997	1,017,000	4,851,932
1998	918,918	4,578,084
1999	881,000	4,930,153
2000	899,000	4,816,560
2001	677,000	4,400,823
2002	636,000	4,339,139
2003	544,000	4,464,813
2004	633,000	4,672,911
2005	564,000	4,426,394
2006	---	4,356,144

Source: US Department of Commerce, In-Flight Reports, Office of Travel & Tourism Industries. Numbers do not include Canada & Mexico; US National Park Service, Grand Canyon.

10 Years of Visitation from European Countries to Arizona

	<u>1996</u>	<u>2000</u>	<u>2005</u>	10 yr. % ch.
Germany	206,000	120,000	78,000	-62%
U. K.	175,000	150,000	126,000	-28%
France	114,000	77,000	72,000	-37%
Japan	83,000	127,000	50,000	-40%

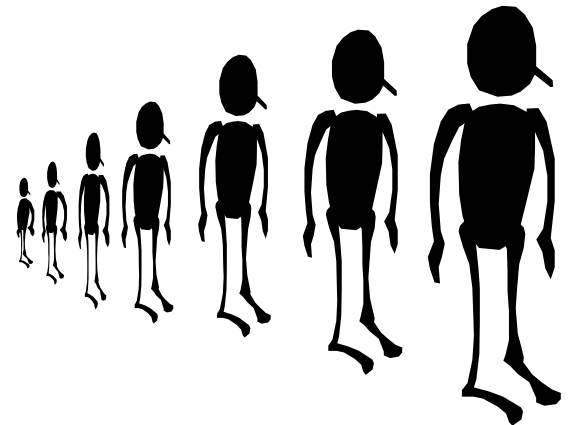
Source: US Department of Commerce, In-Flight Reports.

Implications of World Population for Tourism

- ◆ Traditional European markets decline
- ◆ Latin America & Canada remain strong markets
- ◆ New set of growing international markets emerge (e.g., China, India)
- ◆ Accommodate new foreign languages
- ◆ Destinations adapt to new set of multicultural norms

The Domestic Tourism Market: U.S. at 300 million . . .

- 100 million in 1915
- 200 million in 1967
- **300 million in Nov 2006**
- 312 million in 2010
- 329 million in 2015
- 400 million about 2040



Source: US Census Bureau, Population Estimates.

Arizona's Resident Market 1960-2006

Year	Population	% ch.
1960	1,302,161	--
1970	1,775,399	36.34%
1980	2,718,215	53.10%
1990	3,665,228	34.84%
2000	5,130,632	39.98%
2006	6,166,318	20.18%

Source: US Census Bureau, Population Estimates, 2006.

Fastest-Growing State

Currently the nation's 16th largest state, Arizona outpaced Nevada in 2006 to become the nation's **fastest-growing state.**

Source: US Census Bureau.

Accelerating Population Growth, 2000-2030

Arizona's population to grow by 108% - 36% per decade - to **10.7 million in 2030.**

Reasons?

- ◆ Continued historic migration to Sunbelt
- ◆ Westward movement to "land of possibilities"
- ◆ "Rebound" effect of migration *out of California*
- ◆ Retirees attracted to low taxes, low cost of living
- ◆ Flow of immigrants from Latin America
- ◆ High birth rates of rapidly-growing Hispanic population

Source: Marshall Vest, *Forecast for Arizona in 2036*, University of Arizona, 9/1/2006.

10th Largest State in 2030

1. California
2. Texas
3. Florida
4. New York
5. Illinois
6. Pennsylvania
7. North Carolina
8. Georgia
9. Ohio

10. ARIZONA

ARIZONA'S POPULATION PROJECTIONS:

2010	6.64m
2015	7.50m
2020	8.46 m
2025	9.53m
2030	10.71m

Source: US Census Bureau,
State Population
Projections, 2010-2030

Population Implications for Arizona Tourism

- More in-state & resident travel
- More travel to rural Arizona counties; more tourism dependent rural counties
- Stronger regional markets – NV, NM, TX, CO, ID, & Mountain states
- More Visiting Friends & Relatives (VFR)
 - VFR currently accounts for 50+% of all visitors to Phoenix and Tucson. The VFR percentage will increase as urban population grows.

Quality of Life Factors

Population Density, 2000:

US 79.6 persons/sq mile

Arizona 45.2 persons/sq mile

Source: US Census Bureau, Statistical Abstract.

More Crowded. . . More Urban

Arizona has historically had high urban density. . .

- ◆ 80% of US population lives metropolitan areas
- ◆ AZ in 1990 = 86.5% Urban
- ◆ **AZ in 2000 = 88.2% Urban***

[*Remaining 11.8% is either "Micropolitan" or Rural]

Source: US Census Bureau, Statistical Abstract.

Arizona's Metropolitan Statistical Areas

	2003	2030
◆ Phx/Mesa/Scotts. MSA	64.4%	67%
◆ Tucson MSA	<u>15.97%</u>	<u>12%</u>
Major metro areas	80.37%	80%
◆ Prescott MSA	3.31%	
◆ Yuma MSA	3.06%	
◆ Flagstaff MSA	2.17%	

Source: US Census Bureau, 2003.

High In-state Mobility

◆ **Arizona ranks 2nd in the nation for *in-state mobility****

- Idaho (#1)
- Nevada (#3)

* In-state mobility defined as movement of residents either within the state or from county to county.

Source: *US Statistical Abstract*, US Census Bureau.

Consequences of Arizona's Rapid Growth

STATE RANKING:

- ◆ #37. Graduate students in Sci/Eng
- ◆ #38. Poverty Rate
- ◆ #44. Employer-provided health insurance
- ◆ #44. Working Poor
- ◆ #47. Uninsured low-income kids
- ◆ #47. Teen Pregnancy Rate
- ◆ #50. High School Completion

Source: Corporation for Enterprise Development (www.cfed.org), 2006.

Arizona's Crime Rankings

STATE RANKING:

- #1 – Highest total crime statistics
- #1 – Crimes Against Property
- #1 – Vehicle Theft
- #2 – Larceny Theft
- #5 – Burglaries
- #9 – Murder Rate
- #14 – Overall Violent Crimes
- #15 – Aggravated Assault

Source: FBI, Uniform Crime Reports, 2004-05.

Implications of Rapid Urban Growth

- ◆ Sustain the land, culture, heritage & quality-of-life visitors travel here to see
- ◆ Threats to Quality of Life for residents & visitors
 - Crime, urban sprawl, pollution, traffic . . .
- ◆ Degradation of tourism products
 - More people negatively impact resources
- ◆ On the positive side, more vibrant urban centers attract the “Creative Class”

Developed Countries: Aging Population

- Today, 30 pension-eligible elders for every 100 working adults in developed countries;
- By 2040, 70 pension-eligible elders for every 100 working adults
- Italy, Japan, Spain = the fastest-aging countries will have 100 for 100, 1-to-1 ratio

Source: Population Division, Dept. of Economic & Social Affairs, United Nations.

Arizona . . . “young” but aging

Comparatively, Arizona has a relatively young population . . .

◆ US median age	36.4 yrs.
◆ Arizona Median age	34.5 yrs

Source: US Census Bureau, Statistical Abstract.

Retirees

In 2006, the first cohort of Baby Boomers turned 60!

By 2036, 20% of Arizona's population will be age 65+ = compared to 12% today.

Working-age population will shrink to 59% compared to 66% today.

Source: Marshall Vest, University of Arizona.

Have Baby Boomers. . . Will Travel

The number one retirement activity
Baby Boomers plan to engage in
is travel !!

Two-thirds list travel as their preferred
retirement past-time.

Source: Del Webb Baby Boomer Survey, 2005.

Boomers reinvent retirement. . .

- Edutourism – educational experiences
- Ecotourism - green experiences
- Culinary Tourism – food experiences
- Voluntourism – experiences to learn & connect with locals
- Longevity Tourism - seeking the fountain of youth

Age Implications For Tourism

- ◆ Aging population presents new challenges for product development, marketing, and new ways of measuring satisfaction.
- ◆ Age-specific marketing and product development for different generations. . . one size will not fit all.

Arizona's Racial Composition

■ White alone	76.2%
■ Amer. Indian/Alaska Native	4.7%
■ African American	3.1%
■ Asian alone	2.2%
■ Native Hawaiian/Pac Islander	1.2%
■ Other	.1%
■ Two or more races	2.4%

Source: US Census Bureau, 2005 data. Totals 90%, includes households only; excludes those in institutions, college dorms, etc.

Arizonans of Hispanic Heritage

Non-Hispanic **71.5 %**

Projected to grow at rate of 1%

Hispanic Heritage **28.5 %**

Projected to grow at rate of 14%

Source: US Census Bureau.

Native vs. Foreign-born

Arizona has a higher percentage of foreign-born residents than the US average

- ◆ In 2005:
 - 14% of Arizonans were foreign-born
 - 12.4% of US were foreign-born
- ◆ 53% of the foreign-born come from Latin America, two-thirds from Mexico

Source: US Census Bureau, American Fact Finder, AZ, 2005 data.

Language Other than English Spoken at Home

2000:

US

17.9 %

Arizona

25.9%

2004, Phoenix:

English

66%

Spanish

30%

Source: US Census Bureau, Statistical Abstract, Arizona.

Hispanics & Recreation

Hispanics tend to recreate differently from other groups:

- ◆ More day use & picnicking
- ◆ More local & community park use
- ◆ Larger family groups
- ◆ Multi-generational

Implications of Race and Ethnicity for Tourism

- Hispanics will dominate the hospitality workforce; more skill/education required
- Visitors increasingly foreign-born, Hispanic, & Spanish-speaking
- Outreach to resident market with multi-cultural & multi-lingual ads, pubs, images
- Product development for Hispanic market generally, attracted to more local, intergenerational activities, & events

Travel Party Composition: Smaller, Non-family Households

	1990	2005
■ Married Couples	56%	51%
■ Living Alone	25%	26%
■ Family Households	71%	68%
■ Non-Family	29%	32%

Source: U.S. Census Bureau.

Changing Household Composition

◆ Arizona's Falling Marriage Rate

– Married Households, 1990	61.9%
– Married Households, 2005	58.6%

◆ Smaller household size: 2.6 persons vs. 3+ persons in 60s

Source: US Census Bureau, Quick Facts for Arizona.

Women Living Alone

For the first time ever, a majority – 51% - of US adult females live alone

“ . . . a clear tipping point, reflecting the culmination of post-1960 trends associated with greater independence and more flexible lifestyles for women.”

Source: New York Times, Survey, January 16, 2007; Brookings Institution.

Single. . . With kids

- ◆ 36% of all US births in 2004 were to unwed mothers, up from 28% in 1990
 - **Of these, fewer than 1-in-4 were teenagers**
- ◆ Single moms' median income is \$27,000 or *one-third that of married couples w/kids*

Source: U.S. Statistical Abstract, U.S. Census Bureau, 2006; American Demographics Report, Jan. 11, 2006.

Highly educated women. . .

- ◆ In 2006, women accounted for 57% of total college undergraduates; men 43%
- ◆ At graduate level, women constitute 58%, men 42%
- ◆ From 2000-2005, women earned 60% of all bachelor's and master's degrees (in all fields of study, income groups and races)
- ◆ Declining college enrollment by Hispanic and African-American men is one factor in this trend.

Source: American Council on Education, Gender Equity in Higher Education, 2006.

Implications for Tourism of Household Changes

Changes in household composition will be reflected in travel parties:

- Smaller parties, more singles, fewer couples
- Fewer traditional families, more single moms with kids (except Hispanics)
- More multi-generational travel parties (e.g., reflected in larger party sizes)

Travel potential for women is huge; increasingly educated women will make even more travel decisions.

Arizona's lower income ranking. . .

- ◆ Arizona currently ranks 30th among US states in median household income
 - AZ = \$45,279
 - US = \$46,071
- ◆ Per capita income of Arizonans in 2030 will remain below the national average – 80% of national average.
- ◆ 13.9% of Arizona's population lives below the federal poverty line – 11% above the national average of 12.5%.

Source: U.S. Census Bureau, 2003-2005; Marshall Vest, University of Arizona.

Income of Hispanics

U.S. median annual household income is \$44,389

- ◆ Hispanics' = \$34,241 (30% lower)
- ◆ Non-Hispanic whites = \$48,977
- ◆ Asians = \$57,518

Source: US Census Bureau, 2003-2004 data.

US: The Growing Wealth Gap

- ◆ From 2000-04, US experienced 17% increase in those living in poverty
- ◆ 60% of US households live on average annual income of \$27,000
- ◆ Top 5% of US households have 95% of wealth (i.e., net worth)

Source: American Demographics Report, January 11, 2006.

Income in the U.S.

Income in the United States

Median Household Income:

Median income of all households: \$46,326
Households with two income earners: \$67,348

Median Personal Income:

Males, age 25 or older : \$33,517
Females, age 25 or older: \$19,679

Distribution of Household Income:

Lowest 20%: less than \$18,500
Middle 20%: \$34,738 to \$55,331
Top 20%: more than \$88,030

Bottom quarter: \$22,500 or less
Middle 50%: \$22,500 to \$77,500
Top quarter: \$77,500 or more

Top 1.5%: \$250,000+

Top 5%: \$157,000+

Bottom 5%: \$7,500 or less

Bottom 10%: \$10,500 or less

Education and Personal Income:

Both Sexes, age 25 or older

High School:	\$26,505	Some college:	\$31,054	Bachelor's degree or more:	\$49,303
Bachelor's degree	\$43,143	Masters degree	\$52,390	Doctorate degree:	\$70,853

Race and Household Income:

Asian: \$57,518 White (non-hispanic): \$48,977 Hispanic: \$34,241 African American: \$30,134

Prepared by Brendel, using data from the US Census Bureau

Consumer Spending & Disposable Income

- ◆ US has *negative* personal savings rate

2000	2.4%
2006	-1.3%
- ◆ US prosperity has become dependent on consumer spending, which rose 23% in the past 10 years.
- ◆ Is the current level of consumer spending sustainable?

Source: US Bureau of Economic Analysis, 2006.

Consumer Spending

- ◆ 13% of US households with annual income of \$100,000+ or more account for:
 - One-third of total consumer spending
 - **Half of all lodging and travel-related spending**

Source: American Demographics Report, Jan. 11, 2006.

Implications for Tourism of Growing Income Inequality

- ◆ Very high-end consumers are thriving; bulk of travel spending is by top 20% of affluent households
- ◆ Diminishing ability of middle and working classes to afford travel
- ◆ Need for a broad range of products. For middle market, e.g., State/ County Parks, amusement parks, KOA, RV parks, NASCAR

“Vacation Deficit Disorder”

Americans work 46.2 weeks /year – lack time to devote to travel

Europeans work:

- ◆ Italy 41.1 wks; 4 wks vacation*
- ◆ Britain 40.8 wks; 4 wks vacation*
- ◆ France 40.7 wks; 5 wks vacation*
- ◆ Germany 40.6 wks; 4 wks vacation*

[*Represents mandatory vacation weeks, required by law.]

Source: Bureau of Labor Statistics, IRS; The State of Working America.

The Health Factor

- ◆ TV, Video games, autos, technology, snack foods, “portion creep” – have all contributed to sedentary lifestyles & decline in outdoor activities
- ◆ 16% of US children (6-19 yrs) & 30% of US adults (age 20+) are overweight or obese – 60 million people!
- ◆ Produces skyrocketing health care costs

Source: US Centers for Disease Control.

“Nature Deficit Disorder”

- ◆ Richard Louv’s book, *Last Child in the Woods*, chronicles childrens’ disconnect from the natural world.
- ◆ Can young people be attracted to outdoor activities their parents and grandparents enjoyed, e.g., National & State Parks?

How Do Americans Spend Leisure Time?

◆ Watching TV	3 hrs. /10 min.
◆ Socializing	1 hr /10 min.
◆ Reading	27 min.
◆ Computer use	24 min.
◆ Relaxing/thinking	20 min.
◆ Sports/exercise	20 min.

Source: "How we Spend Time," *Time*, October 30, 2006. Reflects average time per day on weekends & holidays spent on leisure & sports activities.

Implications for Tourism of Health & Leisure Trends

- ◆ Americans working longer hours means less time for tourism
- ◆ Health trends make Americans less fit for recreational activities
- ◆ Can we interest younger generations in nature -- national parks, state parks, open spaces?
- ◆ Need travel marketing strategies for people with less vacation time

Hotel Trends

- ◆ In 2006, hotel occupancy, ADR and RevPAR reached the highest levels in a decade
- ◆ Other Industry Trends:
 - Consolidation and mergers continue
 - Continue to add high-end room amenities
 - Vacation / condo-hotels / fractional ownership grows
 - Spas & health-related trends increase.

Source: Smith Travel Research, 2006.

Hotels:

The New Building Boom

- ◆ Hotel industry follows 10-year Boom-Bust cycle
- ◆ From 2001-05, US lodging demand grew faster than supply (1.1% demand vs. 0.5% supply); RevPAR reached a 10-year high
- ◆ New building boom will produce future declines in occupancy, ADR, and RevPAR

Source: HVS International; Smith Travel Research.

Restaurant Trends

- ◆ *For first time ever*, total year-over-year restaurant sales declined from 2005 to 2006. [e.g., Darden, Appleby's, Wendy's, Friendly's]
- ◆ National Restaurant Association reported modest decline in Restaurant Performance Index for 2006
- ◆ Launch of new restaurants focused on healthy, seasonal, tasty, and more nutritious foods; more demand for menu nutrition information – to respond to the obesity crisis.

Source: National Restaurant Association, "Restaurant industry outlook remains positive despite modest decline in Restaurant Performance Index, Dec. 29, 2006.

Airline Trends

National Summary of US Flights

	2005	2006	%ch
◆ Passengers (mil)	656	656	0.0%
◆ Departures (000)	10,646	10,261	-3.6%
◆ Freight/Mail (ml lbs)	22,475	22,384	-0.4%
◆ Load Factor (%)	76.7	79.0	2.3pts
◆ Airlines with scheduled service	118	111	-5.9%

Source: US Department of Transportation, Bureau of Transportation Statistics, October 2005-October 2006.

Conclusions

- ◆ Demographic changes will produce future challenges for Arizona tourism – especially in terms of changing markets and product development
- ◆ Social and economic dislocations may pose challenges to Arizona's quality of life, that visitors travel here to experience.

Historic Perspective

Historically, Arizona's tourism industry grew hand-in-hand with population, Producing. . .

- ◆ Greater domestic/foreign tourism
- ◆ Greater In-state tourism
- ◆ Greater Regional tourism
- ◆ Expansion of "VFR"

Tourism more important. . .

- ◆ Measured as a percent of GSP, tourism has also been a relatively more important industry in Arizona than in most states
- ◆ Tourism is a more important part of the economy of rural Arizona than of metro Arizona.

Source: Dean Runyan Associates, The Economic Significance of the Arizona Travel Industry, June 2006.

Tourism's Role in a more Diversified Economy

- ◆ A diversified Arizona economy, with strong manufacturing, micro-electronics, aerospace, and other industries, is the goal.
- ◆ However, the more diversified the Arizona economy, the less dependent it is on tourism (i.e., tourism as smaller percent of GSP).

Source: Dean Runyan Associates, June 2006.

Historic 5 “Cs” . . . and Top 5 Sectors in 2036

Historic “5 Cs”

Copper

Cotton

Cattle

Citrus

CLIMATE/TOURISM Trade

Top Sectors in 2036

Professional & Business Services

Health Care & Social Services

Transportation & Warehousing

LEISURE & HOSPITALITY

Source: Marshall Vest, Forecast for Arizona in 2036,” Eller College of Management, Univ. of AZ, 9/1/2006.

Strategies to Address the New Tourism Reality

- ◆ Innovation
- ◆ Adaptation
- ◆ Quality of Life
- ◆ Manage threats to security
- ◆ Educated Workforce
- ◆ Cross-cultural understanding
- ◆ Strategies for innovation economy

What Does it all Mean?

- ◆ Demography is Destiny . . .
- ◆ Arizona's future society will look very different – older, more Hispanic, more multicultural . . .
- ◆ Tourism and hospitality will remain among the most important segments of the economy.

Threats

- ◆ Terrorism, Bioterror, Cyber-terror
- ◆ Health crises, Pandemics, Disease
- ◆ Global warming, Climate Change
- ◆ Energy security & sustainability;
clean renewable resources
- ◆ Lack of educated, skilled workers;
global war for talent.

Discussion

*"One's destination is never a place,
but rather a new way
of looking at things."*

-Henry Miller

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